

Rhode Island Commerce Corporation

Qualified Jobs Incentive Tax Credits – Economic Impact Analysis

Whiting & Davis LLC Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Whiting & Davis LLC (“the Company”), an Attleboro Falls, Massachusetts-based manufacturer of metal-mesh fabrics and jewelry. The credits would be issued in connection with the Company’s decision to purchase and relocate to a building at 901 Waterman Avenue in East Providence.

The Company is requesting Qualified Jobs Incentive tax credits with an estimated value of \$255,221 over ten years. The Company is planning to relocate 20 of its 22 employees to Rhode Island. However, in order to retain some flexibility with regard to staffing during the twelve-year commitment period, the Company is basing its request for tax credits on only 15 of the 20 jobs to be relocated to East Providence.

This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

Jobs Analysis

Construction

The Company estimates that it will spend \$100,000 on up-front improvements to its new property at 901 Waterman Avenue. We estimate that direct spending of \$100,000 will directly and indirectly support:

- 0.7 person-years¹ of work in Rhode Island;
- \$43,000 in earnings;
- \$133,000 million in statewide economic output²; and
- A one-time increase of \$66,000 in Rhode Island’s GDP.

¹ A person-year is equivalent to the time worked by one person who is employed full-time for a year. In this case, 4 person-years of work could for example represent an average of 12 workers employed full-time for four months.

² Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the project.

These impacts are summarized below in Table 1. The project’s *direct impact* is the impact of the company’s direct spending on design and construction. Its *indirect impact* is the effect of spending by contractors for goods and services (insurance, construction materials, etc.) purchased from other Rhode Island businesses.

Table 1: Direct and indirect impact of renovation and fit-out (employment in person-years; income, value-added and output in 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	0.5	\$31,000	\$46,000	\$100,000
Indirect Effect	0.2	12,000	20,000	33,000
Total Effect	0.7	\$43,000	\$66,000	\$133,000

In addition to the impacts on employment, earnings, output and state GDP cited above, direct spending of \$100,000 would generate a projected one-time increase of approximately \$2,500 in taxes paid to the state during construction, including:

- \$1,600 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$700 in state sales taxes paid on those workers’ taxable household spending;
- \$200 in state business corporation taxes.

Annual operations

As noted above, the Company expects to relocate 20 jobs to East Providence in 2017, of which it is committing to retain at least 15 throughout the twelve-year commitment period. Based on data provided by the Company, and using the IMPLAN input-output modeling system (an economic modeling tool commonly used in economic impact analyses, Appleseed estimates that ongoing operations associated with the 15 full-time jobs the Company is committing to maintain will directly and indirectly support:

- 19 full-time-equivalent (FTE) jobs in Rhode Island;
- \$1.00 million in annual earnings;
- \$3.65 million in statewide economic output³; and
- An increase of \$1.47 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 2. The Company’s *direct impact* is the impact of the Company’s direct spending on its ongoing operations, including payroll and purchases of goods and services from Rhode Island-based companies. Its *indirect impact* is the effect of

³ Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the Center’s operations.

spending by the Company’s Rhode Island-based suppliers on goods and services (insurance, utilities etc.) purchased from other Rhode Island businesses.

Table 2: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	15	\$0.69	\$1.01	\$2.88
Indirect Effect	4	0.31	0.46	0.77
Total Effect	19	\$1.00	\$1.47	\$3.65

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company’s operations in East Providence would generate a projected increase of approximately \$58,600 in annual state tax revenues, including:

- \$37,500 in state personal income taxes paid by workers covered by the Company’s commitment, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s operations;
- \$16,400 in state sales taxes paid on those workers’ taxable household spending; and
- \$4,700 in state business corporation taxes.

Workers employed by the Company are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

Benefits

The Company offers a package of benefits that include medical (Tufts Health Plan), dental and disability insurance, a 401K plan with a company match, vacation and sick days and nine paid holidays.

Hiring

The Company advertises job openings on various job boards. Applicants are interviewed via telephone initially, then face-to-face interviews are arranged for qualified candidates.

Impact

The state fiscal impact of the requested tax credits and other incentives is up to \$255,221 in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project

include the estimated increase in annual state GDP of \$1.47 million, the estimated associated job creation, and the gross increase of approximately \$706,000 in personal income, sales and business corporation tax revenues during renovation and during the twelve-year commitment period following the commencement of operations in East Providence. These benefits are detailed in the foregoing analysis. In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in several other ways:

- Help to maintain Rhode Island's manufacturing base.
- Highlight the state's ability to attract small manufacturing firms from other states.
- Increase local real property tax revenues.

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. In addition, various features of the program mitigate risk to the state. In particular, Qualified Jobs Incentive tax credits will be determined on the basis of salaries and wages actually paid.